

**FLORIDA DEPARTMENT  
OF  
INSURANCE**



**TARGET MARKET CONDUCT REPORT  
OF  
PRINCIPAL LIFE INSURANCE COMPANY  
AS OF  
December 31, 2000**

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**DIVISION OF INSURER SERVICES**

**BUREAU OF MARKET CONDUCT  
LIFE & HEALTH SECTION**

**BY ROBERT D. FLEGE, CIE, CFE, FLMI, ALHC, AIRC, ASF, LPCS  
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July 24, 2001

Honorable Tom Gallagher  
Treasurer and Insurance Commissioner  
State of Florida  
The Capitol, Plaza Level Eleven  
Tallahassee, Florida 32390-0300

Dear Commissioner Gallagher:

Pursuant to the provisions of Section 624.3161, Florida Statutes, and in accordance with the Agreement for Market Conduct Services dated May 1, 2001 a Target Market Conduct Examination has been performed on:

Principal Life Insurance Company  
711 High Street  
Des Moines, IA., 50392-2300

NAIC Group Code 0332  
NAIC Company Code 61271

The examination was conducted at the Home Office of the Company, 711 High Street, Des Moines, Iowa.

The report of such examination is herein respectfully submitted.

Sincerely,

Robert D. Flege  
CIE, CFE, FLMI, ALHC, AIRC, ASF, LPCS  
Independent Contract Analyst

**\*Certified Insurance Examiner (CIE), Certified Fraud Examiner (CFE)**  
**Fellow Life Management Institute (FLMI), Associate Life & Health Claims (ALHC)**  
**Associate Insurance Regulatory Compliance (AIRC)**  
**Associate in State Filings (ASF)**  
**Legal Principles Claims Specialist (LPCS)**  
**Past President – Insurance Regulatory Examiners Society (IRES)**

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## **EXECUTIVE SUMMARY**

### **Introduction**

The Department selected Principal Life Insurance Company (“Principal” or “Company”) for a target market conduct examination for the period January 1, 1999 to December 31, 2000. In the year 2000, the Department received 117 complaints for Principal Life – which was the 18<sup>th</sup> most for all L&H companies regulated by the State of Florida. The Department also initiated four separate investigations into the operations of Principal’s conduct, specifically for claim delays, payment of interest for late claims, and providing non-renewal notices when applicable. The examination focused primarily on claim issues, complaint handling and insured recovery of interest due on late payment of claims.

### **Claims Processing**

The examiner reviewed a wide variety of products offered by Principal including large and small group major medical policies, Medicare supplement policies, disability income policies and dental policies. On the whole, given the volume of claims the Company receives each year (over one million for Florida), the Company adequately pays claims within 45 days, specifically, Medicare Supplement (99%), Major Medical Large & Small Group (98%), and Dental (93%).

However, the examiner did note some discrepancies through the individual analysis of sampled files including specific policies that were delayed unnecessarily due to missing information, the Company requesting unnecessary information, or delays in requesting additional information from the policyholders. These are noted in the body of the report.

**Interest on Claims**

The major finding of this report is the Company's failure to pay interest on late claims. The failure is primarily due to the lack of programming within the claims system itself to automatically identify claims that are paid late, and automatically calculate applicable interest and remit these payments to the policyholders. The examiner notified the Company of this problem, and consequently, facilitated the recovery of \$9,822.97 in interest payments to consumers as a result of this examination. Moreover, the Company has acknowledged the need to comply with Section 627.613(2), Florida Statutes, and has promised to pay interest on all late claims, and submit proof of these payments subsequent to the issuance of this report.

## **INTRODUCTION**

The Principal Life Insurance Company hereinafter is generally referred to as "Principal" or "the Company" when not otherwise qualified.

This Target Market Conduct Examination was conducted by Independent Contract Analyst, Robert D. Flege, CIE, CFE, FLMI, ALHC, AIRC, ASF, LPCS, representing the Florida Department of Insurance pursuant to Section 624.3161, Florida Statutes.

This Target Market Conduct Examination commenced on April 30, 2001 and concluded on July 24, 2001.

## **SCOPE OF EXAMINATION**

This examination covers various phases of the Company's operations in the State of Florida from January 1, 1999 through December 31, 2000, and subsequent information when required.

The purpose of this Target Market Conduct Examination was to determine if the Company's practices and procedures conform to the Florida Statutes and the Florida Administrative Code.

Procedures and conduct of the examination were in accordance with the Department's Field Examination Guidelines and the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners (NAIC).

The examination included, but was not limited to, the following areas of the Company's operation involving group Accident & Health, Dental, Medicare Supplement and group and individual Disability Income policies covering Florida residents:

1. Claims Processing
2. Complaint Handling
3. One-Life Groups
4. PPO Networks

This final examination report is generally a report written by exception. References to additional practices, procedures, or files that did not contain improprieties, were omitted. Based on review of these areas, inquiry forms were prepared for the Company identifying any concerns and/or discrepancies. The inquiry forms contain a section that allows the Company to submit a written response to the examiner's comments.

The examiner may not have discovered all unacceptable or non-complying practices of the Company. Failure to identify specific Company practices does not constitute acceptance of any practices that are not in compliance with the statutes, administrative code and rules of the State of Florida or directives of the Commissioner of Insurance.

This report should not be construed to either endorse or discredit an insurance company or insurance product.

The Principal Life Insurance Company has not assumed policies from other companies in the lines of business subject to this examination.

## **DESCRIPTION OF COMPANY**

### **History**

Principal Life Insurance Company was incorporated in June 1879, as an assessment life insurance company under the name of Bankers Life Association and commenced business on September 2, 1879. In 1911 the Company was transformed into a mutual legal reserve life insurance Company and its name was changed to Bankers Life Company. In 1986 the name of the Company was changed to Principal Mutual Life Insurance Company. Effective July 1, 1998, Principal Mutual Life Insurance Company formed a mutual insurance holding company and converted to a stock life insurance company subsidiary with the name of Principal Life Insurance Company.

The Principal Financial Group is a leading global financial institution offering businesses, individuals and institutional clients a wide range of financial products and services including retirement and investment services, life and health insurance and mortgage banking. Its flagship and largest member, Principal Life Insurance Company (Principal), is the ninth largest U.S. life insurance company based on 1999 statutory assets. The Principal Financial Group has more than \$117 billion in assets under management and

serves more than 13 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States.

Companies of the Principal Financial Group serve the following clientele:

- 13 million customers (individuals and their dependents)
- 700,000 individual policyowners
- 84,000 group employer clients
- 44,000 pension customers (employers)
- 36,000 Principal Bank customers
- 566,000 mutual fund shareholder accounts serviced by Princor Financial Services Corporation
- 581,000 residential loans
- 494,000 retirement accounts serviced by Trustar Retirement Services

Consolidated operations of the Principal Financial Group indicate:

- Total assets under management: \$117.5 billion\*
- Total life insurance in force as of 12/31/00: \$162.9 billion

\*Total assets under management do not include residential loans serviced for others and retirement plan assets held as custodian and recordkeeper.

Financial data of the Principal Life Insurance Company indicates:

- Total statutory admitted assets: \$75.6 billion
- Total statutory liabilities: \$72.2 billion

On June 8, 2001, the Principal Financial Group, Inc. announced that it had filed a registration statement with the Securities and Exchange Commission (SEC) relating to a proposed initial public offering of common stock.

The offering, filed but not yet effective, is being made in connection with the proposed conversion of Principal Mutual Holding Company from a mutual insurance holding company into a stock company, which is subject to policyholder and regulatory approval.

This proposed conversion and offering is anticipated to conclude with shares being sold to the public in the latter part of 2001 or first part of 2002

### **CERTIFICATE OF AUTHORITY**

The Company is authorized to transact insurance in the State of Florida, subject to compliance with all applicable laws and regulations of Florida. Certificate of Authority, No. 98-42-0127290, was issued on July 15, 1947.

### **GROUP**

The Principal Life Insurance Company is licensed to write the following group lines of business in the State of Florida:

- Life

- Group Term Life and AD&D
  - Group Voluntary Term Life
  - Group Universal Life

- Accident and Health

- Group Short Term Disability
  - Group Long Term Disability
  - Group Medical

- Comprehensive Medical (Indemnity and PPO)
    - Vision
    - Prescription Drugs
    - Basic/Standard State Plans
    - Medicare Supplement
    - Conversion\*

- Group Dental (Indemnity and PPO)

\*NOTE: The Company does not market an individual medical product in Florida, however, they do offer Conversion under their Group Medical and this is issued on an individual basis.

During the time frame of the examination, January 1, 1999 through December 31, 2000, the Company actually wrote the following group lines of business in the State of Florida:

- Group Term Life and AD&D
- Group Universal Life
- Short Term Disability
- Long Term Disability
- Medical

Comprehensive Medical (Indemnity and PPO)  
Vision  
Prescription Drugs  
Basic/Standard State Plans  
Medicare Supplement  
Conversion\*

- Dental (Indemnity and PPO)

\*NOTE: The Company does not market an individual medical product in Florida, however, they do offer Conversion under their Group Medical and this is issued on an individual basis.

The following is a list of group lines of business with policies in force during the time frame of the examination, that the Company had discontinued marketing in the State of Florida:

- Medicare Supplement (The Company discontinued marketing this product line on December 3, 1999)
- GC 500 Series Medical (Effective with February 1999 renewals, The Company began to move all insured business to GC 5000 Series Medical on the cases' next policy anniversary.)

This examination dealt with group Accident & Health, Dental, Medicare Supplement, and Disability Income lines of business.

### **INDIVIDUAL**

The Company is licensed to write and wrote the following individual lines of business in the State of Florida during the time frame of the examination, January 1, 1999 through December 31, 2000:

- Life Insurance
- Disability Income Insurance
- Annuities

The following is a list of individual lines of business with policies in force during the time frame of the examination, that the Company had discontinued marketing in the State of Florida:

- Universal Life
- Individual Health
- Long Term Care

This examination dealt with the individual Disability Income line of business.

## CLAIMS PROCESSING

### a. PAID CLAIMS

#### 1. Medical - Large Groups (Over 100 lives)

The following indicates the time frame for payment of all claims paid during the time frame of the examination.

#### Paid Large Group Medical (1999-2000)

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0 - 30	268,139	93.8%
31 - 45	10,913	4.0%
46 +	6,369	2.2%
<b><u>TOTALS</u></b>	<b>285,621</b>	<b>100%</b>

Ninety-seven point eight percent (97.8%) of the 285,621 claims were paid within forty-five (45) days as set forth by Section 627.613, Florida Statutes.

The examiner reviewed a random sample of one hundred (100) of the two hundred eighty-five thousand six hundred twenty-one (285,621) claims paid during the time frame of the examination.

## **Findings**

1 Violation - Section 626.9541(1)(i)(3)(b), Florida Statutes. The Company misrepresented policy provisions. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 06/08/01.

3 Violations - Section 626.9541(1)(i)(3)(c), Florida Statutes. The Company failed to acknowledge and act promptly with respect to claims. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 06/08/01.

1 Violation - Section 626.9541(1)(i)(3)(f), Florida Statutes. The Company failed to provide reasonable explanation in writing for denial of a claim. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 06/08/01.

3 Violations - Section 626.9541(1)(i)(3)(g), Florida Statutes. The Company failed to notify insureds that any additional information was needed to process the claims. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 06/08/01.

3 Exceptions - Section 627.613(2), Florida Statutes. The Company failed to pay claims within forty-five (45) days after receipt. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 06/08/01.

3 Violations - Section 627.613(6), Florida Statutes. The Company failed to pay interest as required. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 06/08/01.

Applicable interest has been paid and for detailed information regarding specific claims involved and amount of interest paid refer to the Consumer Recovery section of this report.

The Company provided data relative to claims that were pending on December 31, 2000 and later paid. A review of these claims determined that five hundred eighty-one (581) of those claims were not paid within forty-five (45) days of receipt. The examiner and company representative reviewed a random sample of fifty (50) claims to determine if the company had acknowledged and acted promptly with respect to these claims and paid any applicable interest.

### **Findings**

24 Violations - Section 626.9541(1)(i)(3)(c), Florida Statutes. The Company failed to acknowledge and act promptly with respect to claims. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 07/18/01.

24 Exceptions - Section 627.613(2), Florida Statutes. The Company failed to pay claims within forty-five (45) days after receipt. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 07/18/01.

24 Violations - Section 627.613(6), Florida Statutes. The Company failed to pay applicable interest as required. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 07/18/01.

The Company has agreed to pay the applicable interest on each of these twenty-four (24) claims and to submit documentation verifying payment to the Department of Insurance when the checks are issued.

## **2. Medical - Small Groups**

The following indicates the time frame for payment of all claims paid during the time frame of the examination.

### Paid Small Group Medical (1999-2000)

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0 - 30	499,598	94%
31 - 45	19,609	4%
46 +	13,684	2%
<b><u>TOTALS</u></b>	<b>532,891</b>	<b>100%</b>

Ninety-eight percent (98%) of the 532,891 claims were paid within forty-five (45) days as set forth by Section 627.613, Florida Statutes.

The examiner reviewed a random sample of one hundred (100) of the five hundred thirty-two thousand eight hundred ninety-one (532,891) claims paid during the time frame of the examination.

## **Findings**

4 Exceptions - Section 624.318(2), Florida Statutes. Documentation was missing from file. Provider bill was missing. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 06/05/01.

1 Violation - Section 626.9541(1)(i)(3)(c), Florida Statutes. The Company failed to acknowledge and act promptly with respect to claim. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 06/04/01.

1 Violation - Section 626.9541(1)(i)(3)(g), Florida Statutes. The Company failed to notify insured that additional information was needed to process claim. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 06/04/01.

1 Exception - Section 627.613(2), Florida Statutes. The Company failed to pay claim within forty-five (45) days after receipt. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 06/04/01.

1 Violation - Section 627.613(6), Florida Statutes. The Company failed to pay interest as required. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 06/04/01.

Applicable interest has been paid and for detailed information regarding specific claims involved and amount of interest paid refer to the Consumer Recovery section of this report.

The Company provided data relative to claims that were pending on December 31, 2000 and later paid. A review of these claims determined that one thousand eight-six (1,086) of those claims were not paid within forty-five (45) days of receipt. The examiner and company representative reviewed a random sample of fifty (50) claims to determine if the company had acknowledged and acted promptly with respect to these claims and paid any applicable interest.

### **Findings**

25 Violations - Section 626.9541(1)(i)(3)(c), Florida Statutes. The Company failed to acknowledge and act promptly with respect to claims. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 07/18/01.

25 Exceptions - Section 627.613(2), Florida Statutes. The Company failed to pay claims within forty-five (45) days after receipt. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 07/18/01.

25 Violations - Section 627.613(6), Florida Statutes. The Company failed to pay applicable interest as required. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 07/18/01.

The Company has agreed to pay the applicable interest on each of these twenty-five (25) claims and to submit documentation verifying payment to the Department of Insurance when the checks are issued.

### **3. Medicare Supplement**

The following indicates the time frame for payment of all claims paid during the time frame of the examination.

#### **Paid Medicare Supplement (1999-2000)**

<b><u>Days</u></b>	<b><u>Number</u></b>	<b><u>Percent</u></b>
0 - 30	626,929	99%
31 - 45	4,580	.07%
46 +	2,659	.03%
<b><u>TOTALS</u></b>	<b>634,168</b>	<b>100%</b>

Ninety-nine point zero seven percent (99.07%) of the 634,168 claims were paid within forty-five (45) days as set forth by Section 627.613, Florida Statutes.

No discrepancies were noted.

### **4. Disability Income Claims**

#### **GROUP - Long Term**

The examiner reviewed a random sample of fifty (50) of the five hundred thirty-five (535) claims paid during the time frame of the examination.

No discrepancies were noted.

#### **GROUP - Short Term**

The examiner reviewed a random sample of one hundred (100) of the five thousand five hundred nine (5,509) claims paid during the time frame of the examination.

## **Findings**

1 Violation - Section 626.9541(1)(i)(3)(c), Florida Statutes. The Company failed to acknowledge and act promptly with respect to claim. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 07/18/01.

1 Violation - Section 626.9541(1)(i)(3)(g), Florida Statutes. The Company failed to notify the insured that additional information was needed to process the claim. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 07/18/01.

1 Exception - Section 627.613(2), Florida Statutes. The Company failed to pay claim within forty-five (45) days after receipt. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 07/18/01.

1 Violation - Section 627.613(6), Florida Statutes. The Company failed to pay applicable interest as required. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to this assertion in a memo dated 07/18/01.

Applicable interest has been paid and for detailed information regarding specific claims involved and amount of interest paid refer to the Consumer Recovery section of this report.

## **INDIVIDUAL**

The examiner reviewed a random sample of fifty (50) of the one hundred fifty-five (155) Individual Disability Income claims paid during the time frame of the examination.

## **Findings**

2 Violations - Section 626.9541(1)(i)(3)(b), Florida Statutes. The Company misrepresented facts regarding insurance policy provisions. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 07/11/01.

Checks totaling nine thousand seven hundred twelve dollars and fifty-six cents (\$9,712.56) have been forwarded that included benefits and applicable interest. For detailed information regarding specific claims involved and amount paid refer to the Consumer Recovery section of this report.

## **5. Dental**

The Company submitted data indicating that a total of four thousand five hundred and twelve (4,512) claims were pending as of December 31, 2000. The examiner and company representatives reviewed the two hundred ninety-four (294) claims that were not paid within forty-five (45) days as required.

## **Findings**

59 Violations - Section 626.9541(1)(i)(3)(c), Florida Statutes. The Company failed to acknowledge and act promptly with respect to claims. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 06/26/01.

59 Violations - Section 626.9541(1)(i)(3)(g), Florida Statutes. The Company failed to notify insureds that additional information was needed to process the claims. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 06/26/01.

59 Exceptions - Section 627.613(2), Florida Statutes. The Company failed to pay claims within forty-five (45) days after receipt. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 06/26/01.

59 Violations - Section 627.613(6), Florida Statutes. The Company failed to pay applicable interest as required. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in a memo dated 06/26/01.

Applicable interest has been paid and for detailed information regarding specific claims involved and amount of interest paid refer to the Consumer Recovery section of this report.

## **b. DENIED CLAIMS**

### **1. Medical - Large Groups (Over 100 lives)**

The following indicates the reasons for denial of any claims and/or portion of any claim submitted.

#### Denied Large Group Medical Claims Reason

<u>Reason</u>	<u>Number</u>	<u>Percentage</u>
PPO/Scheduled Network Savings	72	72%
Fee Reduction over Usual & Customary	13	13%
Coverage not in Effect	6	6%
Service Billed Higher than expected based on Diagnosis. Benefits Reduced.	2	2%
Routine Follow-up Charges part of Surgical Charges	1	1%
Coordinated with Existing Insurance	1	1%
Negotiated Fee Reduction	1	1%
Medicare - Non-approved Charges EOB Statement not Received	1	1%
Claim not Received Prior to Claim Filing Deadline	1	1%
Portion included in Billing for Services on Same Day	1	1%
Excluded per plan provisions for foot care limitations.	1	1%
<u>Totals</u>	100	100%

The average time for adjudication of these claims was eleven (11) days.

The examiner reviewed a random sample of one hundred (100) of the 225,383 claims denied during the time frame of the examination. This listing included all claims where

the claim was excluded per plan provisions, was below the deductible, reduced by co-insurance provisions, re-priced or involved contributing insurance.

The reasons were in accordance with plan provisions and explanation was provided in EOB statements.

No discrepancies were noted.

## **2. Medical - Small Groups**

The following indicates the reason for denial of any claims or any portion of any claim submitted.

### Denied Small Group Medical Claims Reason

<u>Reason</u>	<u>Number</u>	<u>Percentage</u>
PPO/Scheduled Network Savings	70	70%
Coverage Not in Effect	13	13%
Charges applied to Medicine Calendar Year Deductible	7	7%
Fee Reduction - Over Usual & Customary	5	5%
Routine follow-up charges included in Surgical Billing	3	3%
Maximum Medical Benefits Exhausted	1	1%
Negotiated Fee	1	1%
<u>Totals</u>	100	100%

The average time for adjudication of these claims was thirteen (13) days.

The examiner reviewed a random sample of one hundred (100) of the 414,250 claims denied during the time frame of the examination. This listing included all claims where

the claim was excluded per plan provisions, was below the deductible, reduced by co-insurance provisions, re-priced or involved contributing insurance.

The reasons were in accordance with plan provisions and explanation was provided in EOB statements.

No discrepancies were noted.

### **3. Medicare Supplement**

The following indicates the reasons for denial of any claims and/or portion of any claim submitted.

Denied Medicare Supplement Claims  
Reason

<b><u>Reason</u></b>	<b><u>Number</u></b>	<b><u>Percentage</u></b>
Excluded Charges Paid by Medicare	68	68%
Amount not Approved by Medicare and Charges Paid by Medicare Excluded	27	27%
Coverage Not in Effect	2	2%
Duplicate Charges	1	1%
Copy of Medicare Summary Notice not Received	1	1%
Prescriptions not Covered - Charges Paid by Medicare Excluded	1	1%
<b><u>Totals</u></b>	100	100%

The average time for adjudication of these claims was seven (7) days.

The examiner reviewed a random sample of one hundred (100) of the 599,954 claims denied during the time frame of the examination. This listing included all claims where the amount of the claim submitted was reduced for the reasons indicated in the above table.

The reasons for denial were in accordance with plan provisions.

No discrepancies were noted.

#### **4. Disability Income Claims**

##### **GROUP - Long Term**

The examiner reviewed a random sample of eighteen (18) of the one hundred and forty-seven (147) claims denied during the time frame of the examination.

All denials were in accordance with plan provisions and reasons were given in writing in all instances.

No discrepancies were noted.

##### **GROUP - Short Term**

The examiner reviewed a random sample of fifty-four (54) of the one thousand four hundred fifty-five (1,455) claims denied during the time frame of the examination.

All denials were in accordance with plan provisions and reasons were given in writing in all instances.

No discrepancies were noted.

## **COMPLAINT HANDLING**

The Company has complaint handling procedures in place as required by Section 626.9541(1)(j), Florida Statutes. The listing of complaints received by and recorded in the Company complaint register was reconciled with the records provided to the examiner by the Department of Insurance.

### **Findings**

2 Violations - Section 626.9541(1)(j), Florida Statutes. The Company failed to maintain a record of all complaints received from the Department of Insurance. Jill E. R. Kempkes, Senior Government Relations Administrator has agreed to these assertions in memos dated 07/05/01.

## **ONE-LIFE GROUPS**

The Company signed the Consent Order, Case No. 35481-00-CO, submitted to all small employer carriers writing small employer health benefit plans pursuant to Section 627.6699(5)(c), Florida Statutes. The Company therefore agreed to comply with the provisions of Section 627.6699(5)(c)(2), Florida Statutes, that requires, "Beginning July 1, 2000, and until July 31, 2001, offer and issue basic and standard small employer health benefit plans on a guaranteed-issue basis to every eligible small employer which is eligible for guaranteed renewal, has less than two eligible employees, is not formed primarily for the purpose of buying health insurance, elects to be covered under such

plan, agrees to make the required premium payments, and satisfies the other provisions of the plan."

The Company did have approved forms and rate filings for basic and standard Small Employer Health Benefit Plans in effect on or to be effective July 1, 2000.

In accordance with these requirements the Company:

1. Offered a one-month re-opening in December 2000 during which applications were accepted and standard and basic policies issued on a guaranteed issue basis to new one-life groups and to one-life groups enrolled with another carrier who elected to change carriers. Coverage for applications received in December 2000 were to be effective on February 2, 2001.
2. Implemented procedures to withdraw offers for coverages that had been sent for December or January effective dates, but had NOT been accepted and in turn advised Prospect Center Agents, Group Sales and marketing sources that they would accept applications in December for February effective dates, and
3. Notified Prospect Center Agents, Group Sales and marketing sources that the Company would renew all one-life group contracts currently in force to any plan design available for small employer groups.

The examiner verified that the Company received forty-four (44) applications for one-life group plans eight (8) of which were rejected. The reasons for rejection were in accordance with the statutory provisions.

The Company did market and make available basic and standard coverage to one-life groups and no discrepancies were noted in practices and procedures.

### **PPO NETWORKS**

The examiner discussed with Company representatives the procedures for handling claims involving PPO networks.

In the review claim files there were no discrepancies noted relating to discriminatory practices in denial of claims, application of out-of-network deductibles, billing for "out-of-network" specialists or application of "reasonable and customary" limitations on claim payments.

### CONSUMER RECOVERIES

<u>Claim No. and/or Account No.</u>	<u>Amount</u>
N27114-1-308705103-020	\$3.11
N27114-2-265689004-029	\$3.35
N95079-1-262665039-028	\$6.58
N3722-5143-46548706-019	\$2.44
N95600-00003	\$53.10
193173	\$3,528.00
7366380	\$847.20
7377791	\$5,337.36
N9608-7672-37123545-010	\$1.52
P3550-1-514743296-010	\$0.13
P28793-1-592017909-010	\$0.01
P28793-1-592017909-010	\$1.17
N79268-1-506741506-010	\$0.41
N60117-1-595145354-040	\$3.48
P24391-1-263922221-030	\$1.64
N69710-1-584884160-020	\$0.41
N9608-11549-41506919-010	\$1.27
N96686-1-100128921-010	\$0.09
N9608-12966-220563531-010	\$3.56
N3419-1-453537820-010	\$0.48
P5000-1-595564800-010	\$0.68
P16045-1-265955500-010	\$0.08
P7472-1-265479420-010	\$0.14
P20989-1-283449793-020	\$0.20
P20989-1-264334506-010	\$0.20
N98119-1-452232576-020	\$0.23
N27114-1-266045269-010	\$1.97
N27114-1-266455299-010	\$0.26
P14872-1-448365821-010	\$0.75
P46132-1-75519788-040	\$0.59
P1050-1-330300376-010	\$0.59
P1050-1-330300376-010	\$0.04
N68286-8-218968576-030	\$0.59
N66079-1-420463270-010	\$0.07
N9608-10739-591168851-020	\$0.11
N94964-1-335428349-049	\$0.36
N9608-11549-493368544-019	\$3.76

P8251-1-367489764-020	\$2.07
N56841-1-593398333-040	\$0.50
N27114-1-264848820-020	\$0.09
N92428-1-427926744-040	\$0.38
P4457-1-267336659-010	\$0.22
N94074-1-589518274-020	\$0.28
N92428-1-266666975-010	\$0.60
N27114-1-266944854-040	\$0.14
N97844-1-56466147-010	\$0.38
P9926-1-264950951-010	\$0.20
P14446-1-155267421-010	\$0.60
P10185-1-267970748-020	\$0.42
N92428-1-262742225-010	\$0.09
P4097-1-262398295-010	\$0.39
N75330-1-262600133-010	\$0.07
P26946-1-593167946-010	\$0.66
N94964-1-335428349-049	\$0.22
N92739-1-513709788-010	\$0.59
P3214-1-261233880-010	\$0.43
N9608-4696-142781379-010	\$0.83
N3722-4858-5685774-019	\$0.10
N27114-1-266175989-050	\$0.58
P3230-1-594440276-010	\$0.12
N9608-10652-260175541-010	\$0.06
P41815-1-206526172-010	\$0.37
N92428-1-266620360-020	\$1.73
P1050-1-525156106-010	\$0.58
N95711-1-266061071-010	\$0.90
P16426-1-293523399-010	\$0.28
N98860-1-22641222-010	\$2.50
N68009-1-584767705-020	\$0.66
<b><u>TOTAL</u></b>	<b><u>\$9,822.97</u></b>

## **CONCLUSION**

The customary practices and procedures promulgated by the Department's Field Examination Guidelines and the National Association of Insurance Commissioners (NAIC) were followed in performing this Target Market Conduct Examination of The Principal Life Insurance Company as of December 31, 2000, with due regard to the Insurance Laws and Administrative Code of the State of Florida.

Respectfully submitted,

Robert D. Flege  
CIE, CFE, AIRC, FLMI, ALHC, ASF, LPCS  
Independent Contract Analyst

## **FINDINGS AND RECOMMENDATIONS**

The examination resulted in a total of four hundred thirteen (413) findings in which the Company was not in compliance with Florida Statutes or Administrative Code. The following is a summary of the examiners' findings and recommendations.

Page 14	The Company is directed to comply with Section 626.9541(1)(3)(b), Florida Statutes, and appropriately represent policy provisions.
Page 14	Comply with Section 626.9541(1)(3)(c), Florida Statutes, by processing claims promptly.
Page 14	Comply with Section 626.9541(1)(3)(f), Florida Statutes, by providing a reasonable explanation in writing for the denial of a claim.
Page 14	Comply with Section 626.9541(1)(3)(g), Florida Statutes, by notifying insureds that additional information is needed to process claims.
Page 14	Comply with Section 627.613(2), Florida Statutes, by paying claims within forty-five (45) days after receipt.
Page 14	Comply with Section 627.613(6), Florida Statutes, by paying interest on all claims not paid within forty-five (45) days after receipt.
Page 15	Comply with Section 626.9541(1)(i)(3)(c), Florida Statutes, by acknowledging and acting promptly with respect to claims.
Page 15	Comply with Section 627.613(2), Florida Statutes, by paying claims within forty-five (45) days after receipt.
Page 15	Comply with Section 627.613(6), Florida Statutes, by paying interest on all claims not paid within forty-five (45) days after receipt.
Page 17	The Company is directed to maintain provider bills to substantiate accuracy of claim payments in accordance with Section 624.318(2), Florida Statutes.
Page 17	Comply with Section 626.9541(1)(i)(3)(c), Florida Statutes, by acknowledging and acting promptly with respect to claims.
Page 17	Comply with Section 626.9541(1)(3)(g), Florida Statutes, by notifying insureds that additional information is needed to process claims.
Page 17	Comply with Section 627.613(2), Florida Statutes, by paying claims within forty-five (45) days after receipt.
Page 17	Comply with Section 627.613(6), Florida Statutes, by paying interest on all claims not paid within forty-five (45) days after receipt.
Page 18	Comply with Section 626.9541(1)(i)(3)(c), Florida Statutes, by acknowledging and acting promptly with respect to claims.
Page 18	Comply with Section 627.613(2), Florida Statutes, by paying claims within forty-five (45) days after receipt.

Page 18	Comply with Section 627.613(6), Florida Statutes, by paying interest on all claims not paid within forty-five (45) days after receipt.
Page 20	Comply with Section 626.9541(1)(i)(3)(c), Florida Statutes, by acknowledging and acting promptly with respect to claims.
Page 20	Comply with Section 626.9541(1)(3)(g), Florida Statutes, by notifying insureds that additional information is needed to process claims.
Page 20	Comply with Section 627.613(2), Florida Statutes, by paying claims within forty-five (45) days after receipt.
Page 20	Comply with Section 627.613(6), Florida Statutes, by paying interest on all claims not paid within forty-five (45) days after receipt.
Page 21	The Company is directed to comply with Section 626.9541(1)(3)(b), Florida Statutes, and appropriately represent policy provisions.
Page 21	Comply with Section 626.9541(1)(i)(3)(c), Florida Statutes, by acknowledging and acting promptly with respect to claims.
Page 21	Comply with Section 626.9541(1)(3)(g), Florida Statutes, by notifying insureds that additional information is needed to process claims.
Page 22	Comply with Section 627.613(2), Florida Statutes, by paying claims within forty-five (45) days after receipt.
Page 22	Comply with Section 627.613(6), Florida Statutes, by paying interest on all claims not paid within forty-five (45) days after receipt.
Page 27	Comply with Section 626.9541(1)(j), Florida Statutes, by maintaining accurate records of all complaints received from the Department of Insurance.